

## **MEMORANDUM**

TO: City Council  
FROM: Steve Westbay and Ben Cowan  
DATE: March 30, 2016  
RE: Work Session – Review of *Service Plan* for Gunnison Rising District NOS. 1-7

### ***Introduction***

City Council is scheduled to hold a work session on March 30<sup>th</sup> at 5:30 PM to discuss the contents of the proposed *Service Plan for Gunnison Rising Metropolitan District NO. 1-7*. Information presented herein is based on the contents of the draft Service Plan dated March 23, 2016. City staff will be present at the work session and Jim Collins, special district counsel, will be available via phone to answer questions posed by Council. This memorandum is intended to supplement the discussion. It contains a summary of statutory and City policy provisions directing this application process and it outlines the general contents of the *Service Plan* (boundaries, powers, financial plan).

### ***Statute & Municipal Code Summary***

Special districts are political subdivisions of the State. They serve as the financing entity for developing infrastructure serving the district's Public Improvements Plan. Formation of special districts are governed by the Colorado Revised Statutes (Special District Act, §32-1-101 et seq.) and Title 10 of the *City of Gunnison Municipal Code* (Special Improvements Districts), which follow directives of State Statutes.

Special districts are formed by submitting a petition to the District Court for the organization of the district. The petition must be signed by not less than 30 percent, or 200 taxpaying electors of the district, whichever is less. The petition must be accompanied by a resolution approving the *Service Plan* from the local government jurisdictions in which the special district is located. At the court hearing the judge determines if the petition meets the statutory requirements. The judge may order an election on the district's organization if the petition contents and legal mandates are determined to be in order. A favorable vote by the qualified electors within the proposed district allows the District Court to issue an order and decree organizing the district. It is assumed that the Gunnison Combined District Court will review the Gunnison Rising District petition in early April 2016.

Establishing the district powers is an elemental part of the *Service Plan* document. The defined powers include the types of facilities that may be built under a district's powers and they may include, but are not limited to, streets, water, sewer, stormwater, parks, and transportation facilities. The district powers also define the terms for funding operations and maintenance of improvements.

Establishing an initial financial plan is another fundamental part of a *Service Plan* document. General obligation bonds are the most common revenue source established in most service plans. The financial plan defines the mill levy for ad valorem taxes that can be used to repay the general obligation bonds. The maximum term of bonding is set at 40 years. Presently, residential property is valued at 7.96% of assessed value and commercial property is valued at 29% of assessed value.

### ***Gunnison Rising Service Plan Elements***

The *Service Plan for Gunnison Rising Metropolitan Districts* is structured under the provisions of the *City of Gunnison Municipal Code* (Title 10) and includes 13 elements in the table of contents. The following narrative provides a summary of the proposed boundaries, powers, and financial plan – it does not address other sections which detail technical/administrative matters governing the districts' functions.

**Boundaries.** The Gunnison Rising Metropolitan District boundary encompasses 622.84 acres which includes the annexation boundary, less the Pioneer Museum subdivision site and a tract of land dedicated

to the Western State Colorado University Foundation. The *Service Plan* proposes seven individual districts as part of its formation. Representatives of Gunnison Rising stated that the multiple district structure is intended to provide flexibility to accommodate the project's phasing plan and accommodate different development product types.

**Powers.** The *Service Plan* anticipates that improvements will be dedicated to the City or another governmental entity, or maintained by the districts. Under the provision of the plan the Districts may be allowed to operate and maintain the improvements for a 25 year period, unless the City performs the operation/maintenance tasks.

The district is required to ensure that public improvements are designed and constructed in accordance with the applicable City standards in effect at the time of construction. The District is obligated to submit an engineering plan and obtain applicable construction permits prior to performing work. Additionally, if improvements are funded by privately placed debt, the district is required to notify the City of the anticipated terms of debt and no related construction funded by the contemplated private debt shall commence until the appropriate notification occurs. The *Service Plan* powers also prohibit the districts from making improvements outside their boundaries without prior approval by the City Council. Furthermore, the Districts may not exclude any property within their service area without Council consent.

**Financial Plan.** The current estimate of public improvements is approximately \$18 million. The maximum mill levy for residential developments is proposed to be 30 mills for debt service and 5 mills for administration and operations. Commercial property is proposed to have a 35 mill maximum levy for debt service and 5 mills for administration and operations. Prior to undertaking debt the Districts can use mill levy revenues for operations and maintenance. The maximum debt authorization is set at \$3.92 million, with a contingency for up to a 10 percent increase with certified written notice to the City. The *Service Plan* allows for a one time development fee of \$5000 per residential lot and \$1.00/square foot for non-residential development.

The financial plan includes a series of tables projecting the sales tax, property tax and development revenues derived from improvements. Projected sales tax generation is significant over a 13 year period with approximately \$24 million projected through the year 2030. Property tax revenues for debt service are projected to be approximately \$5.3 million over the 30 year model period.

The Public Improvement Fee (PIF) has been removed from the *Service Plan*, but the applicant has indicated a desire to continue the PIF discussion at a later date when more relevant data for assessing the fiscal impacts of a PIF is available.

### ***Conclusion***

A variety of details contained in the *Service Plan* have been omitted from this memo for discussion. These items include but are not limited to eminent domain powers, annual reporting mandates, dissolution of the districts and material modification procedures.

Since a public hearing is scheduled, there are due process considerations, most importantly, no indication of a predetermined outcome prior to the hearing. Therefore, during the work session the Council should only ask for clarifications and questions regarding the *Service Plan* contents or related statute and code information. At the work session it will be important to refrain from statements that may be construed as support for or opposition to the matter at hand. Save opinions on that for the public hearing and the official record of action.